

Maricopa County Policies and Procedures	Subject: Indirect Cost Policy for Grant Programs	Number: A2506 Issue Date: 02/97
Approved: David Smith	Initiating Department: Department of Finance	

A. Purpose

To establish a standard policy and general procedures governing the receipt, recording and disposition of OMB Circular A-87 allowable indirect costs recovered from the grantors.

B. Definitions

Grants refers to transactions in which an entity transfers cash or other items of value to (or incurs a liability for) Maricopa County as a means of sharing program costs or otherwise reallocating resources to the recipients.

OMB Circular A-87 refers to the Federal government circular that defines allowable indirect costs for federal programs.

Cognizant Agency means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under OMB Circular A-87 on behalf of all Federal agencies.

Indirect Costs refers to those costs incurred for a common or institution-wide objective that benefits more than one grant program or project. Such costs are not readily assignable to the cost objective specifically benefited.

County-wide Full Cost Allocation is used to allocate the full cost of running the County's Central Service Departments.

County-wide A-87 Indirect Costs refers to Central Service department costs, benefiting both grant and non-grant programs. These costs are allocated by the Department of Finance in accordance with OMB Circular A-87.

Central Service departments support, manage, and maintain County operations (i.e. Finance, OMB, etc.)

Department A-87 Indirect Costs refers to departmental costs benefiting both grant and non-grant programs.

C. Background

Currently there is no standard policy in effect for the treatment of recovered A-87 indirect costs from grants funds. All departments are required to charge their grant funds for A-87 indirect costs unless prohibited by the grant contract, law, or County Board of Supervisors approval.

D. Policy

On an annual basis the Department of Finance-Grants Unit prepares an A-87 County-wide indirect cost allocation plan. The Department of Finance-Grants Unit is responsible for maintaining, updating and negotiating the County-wide A-87 plan with

the cognizant agency, United States Department of Housing and Urban Development (HUD). The County's A-87 indirect costs plans are used as a means of equitably recovering indirect costs from both federal and non-federal grant programs. All departments receiving grant funds shall submit a written request to the Department of Finance-Grants Unit to prepare a Departmental A-87 cost allocation plan.

For General Fund departments-

- All recovered Departmental A-87 costs from grants will be charged to the grant fund under subobject code 0831-01 and deposited into the department's General Fund operating agency under revenue source 0621-01.
- All recovered County-wide A-87 indirect costs from grants will be charged to the grant fund under subobject code 0831-00 and deposited into the General Fund, agency 180, org 1810, revenue source 0621-00.

For non-General Fund departments-

- The Department of Finance-Grants Unit will prepare the County-wide monthly indirect cost charge (full indirect or A-87 indirect, as applicable) to the non-General Fund departments. The Department's operating agency will be charged under subobject code 0831-00 and revenue will be deposited into the General Fund, agency 180, org 1810, revenue source 0621-00 .
- All recovered Departmental A-87 indirect costs from grants will accumulate in the Department's operating agency, subobject 0831-01 will be expensed to the Department's grant agency, subobject code 0831-01.
- All recovered County-wide A-87 costs from grants will be treated as a transfer of expenses from the Department's operating agency, subobject 0831-00, to the Department's grant agency, subobject code 0831-00.

The above accounting strings are subject to change by the Department of Finance, and departments will be notified as necessary.

In some cases the grantor may limit the recovery of indirect costs at a percentage less than the combined Departmental and County-wide A-87 indirect rate. In these cases, the Departmental A-87 rate shall be satisfied first. Any remaining funds will then be applied to the County-wide A-87 rate.

E. Procedures

Both recoverable and unrecoverable estimated A-87 indirect costs should be fully disclosed and quantified on the Board agenda and included in the local match if allowable. This information enables the Board of Supervisors to have a clear understanding of the financial impact on Maricopa County for each individual grant/program.

Prior to submission to the Board of Supervisors, a copy of all grant applications and contracts must be submitted to the Department of Finance-Grants Unit to ensure compliance with this policy.

Departments are required to prepare journal vouchers to charge grants for the eligible A-87 costs through the previous month end. The journal voucher must be submitted to the Department of Finance-Grants Unit for approval. Indirect cost allocations will be monitored by the Department of Finance-Grants Unit, as part of the Grant Monitoring Procedures.

F. Summary

This policy will ensure that all indirect costs are handled in a fair and consistent manner regarding the receipt, recording and/or the disposition in accordance with the applicable grant contract and laws.